

October 1, 1974

MEMORANDUM

FROM: G. Warren Nutter
SUBJECT: The Situation in Vietnam

QUN

1. South Vietnam stands at the crossroads. If we provide the modest assistance needed to keep the country on its present course, it will survive and ultimately flourish. If we provide too little, as Congress seems determined to do, South Vietnam will almost certainly be condemned to the bloodbath of destruction. The cost to the United States of guaranteeing survival is trivial when compared with the moral and political consequences of not doing so.

2. I spent two weeks this August in South Vietnam working closely with that government in assessing the situation and advising on economic policy. I had lengthy discussions with all major political and military leaders, from Thieu downward, in which we reviewed the military, political, and economic state of affairs. I traveled through some of the provinces, far from Saigon. Much of my time was spent consulting with Nguyen Tien Hung, Commissioner General for Planning, a former student of mine with a Ph.D. in economics from Virginia who is the most influential economic official in the Thieu administration.

3. Many opponents of aid argue that South Vietnam will collapse from economic troubles anyhow, whether we provide help or not. There is no substance to that argument. Although the American withdrawal left behind a badly distorted economy and a sharply reduced national income, the people are enduring the resultant hardships with remarkable resilience, and the government is coping exceptionally well with the serious problems of reconstruction and development. Because of my responsibilities for Vietnamization, I watched the Vietnamese economy closely from 1969 to 1973, and during most of that time I was a relentless critic of what seemed to be persistent economic bungling by both governments, ours and theirs. Observing how the present Vietnamese authorities are tackling their economic problems has finally made me optimistic about the economic future of Vietnam. The responsible officials, devoid of illusions, are charting the future course of the economy with an impressive sense of urgency, dedication, and professionalism. They are building institutions designed to encourage private initiative and foster a market economy, while preparing realistic and consistent programs for economic development.

4. The traditional weaknesses of Vietnamese society remain deeply rooted: corruption, evasion of taxes, divisive politics, and so on. But there is also a basic political stability that surmounts internal stress. That stability is being eroded, however, by unrest generated by the mounting external threat. Whether oil is struck or not, the political and economic systems are viable if the security problems can be overcome.

5. The South Vietnamese have done a magnificent job in defending themselves against constant pressure from main force units of the North, spilling more of their blood since the Paris Agreements than we did of ours in seven years. For all practical purposes, there are no indigenous Viet Cong in the fight. But now that Congress has openly stated that it will not provide the gasoline, bullets, and beans needed to beat the enemy, the security situation has become grim. The other side can now accurately predict the defensive strength of the South and plan accordingly. I have never seen Thieu or his military leaders in deeper gloom, and that mood is bound to spread in the form of crumbling morale, particularly if the North keeps up its relentless pressure. The waning Congressional support and consequent deteriorating prospects for security are largely responsible, I believe, for the outbreak of public demonstrations seen in recent weeks. Political and economic stability is being undermined, and things could fall apart if trends are not reversed. If a choice must be made, military assistance comes first, ahead of economic aid, because all else hinges on countering the military threat. Perhaps the need for aid will go on, as critics assert, but we should take our day at a time. There is, after all, some promise in the fact that the present militant leadership of North Vietnam represents the vestiges of Ho Chi Minh's generation. It would be ironic to lose will, after all these years, when the other side may be on the verge of relenting in its struggle to conquer the South.

6. To abandon South Vietnam to the dangers of destruction and massacre for the sake of a half billion dollars or so would do more than sear the American conscience. It would deal a crushing blow to our still mighty, if weakened, influence in world affairs.

UNIVERSITY OF VIRGINIA
JAMES WILSON DEPARTMENT OF ECONOMICS
ROUSS HALL
CHARLOTTESVILLE, VIRGINIA
22901



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Mr. Lawrence Eagleburger
Executive Assistant to the Secretary
Department of State
Washington, D.C. 20520